



MATTHIAS W. BALDWIN, FOUNDER
1831

ANNUAL REPORT
1939

THE
BALDWIN LOCOMOTIVE WORKS
CONSOLIDATED

MRG
CORP. FILE **BOARDS**

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TWENTY-NINTH ANNUAL REPORT

THE
BALDWIN LOCOMOTIVE WORKS
PHILADELPHIA, PA.



CONSOLIDATED WITH

STANDARD STEEL WORKS COMPANY
CRAMP BRASS AND IRON FOUNDRIES COMPANY
BALDWIN-SOUTHWARK CORPORATION
DE LA VERGNE ENGINE COMPANY
THE PELTON WATER WHEEL COMPANY
THE WHITCOMB LOCOMOTIVE COMPANY
THE MIDVALE COMPANY
and
SUBSIDIARIES

December 31, 1939

THE BALDWIN LOCOMOTIVE WORKS

Incorporated under the Laws of the State of Pennsylvania

VOTING TRUSTEES

WILLIAM L. BATT
ARNOLD BERNHARD

ROBERT K. CASSATT
THOMAS S. GATES

PHILIP C. STAPLES

DIRECTORS

ARNOLD BERNHARD
CHARLES E. BRINLEY
JOHN W. CONVERSE
JOSEPH N. EWING
HARRY L. FREVERT
WILLIAM H. HARMAN
EDWARD HOPKINSON, JR.
CONRAD N. LAUER
JEROME PRESTON
CHARLES H. SCHLACKS
ROBERT C. SHIELDS
CHARLES L. STILLMAN
SAMUEL M. VAUCLAIN*
WILLIAM H. WINTERROWD

New York
Chestnut Hill, Pa.
Rosemont, Pa.
Philadelphia
Philadelphia
Merion, Pa.
Philadelphia
Philadelphia
Boston
Bryn Mawr, Pa.
Detroit
New York
Rosemont, Pa.
Villanova, Pa.

OFFICERS

SAMUEL M. VAUCLAIN*
CHARLES E. BRINLEY
WILLIAM H. HARMAN
WILLIAM H. WINTERROWD
CHARLES E. ACKER
CARLOS F. NOYES

Chairman of the Board
President
Vice-President in Charge of Sales
Vice-President in Charge of Operations
Secretary and Treasurer
Comptroller

GENERAL COUNSEL

MORGAN, LEWIS & BOCKIUS
Philadelphia

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

* Deceased February 4, 1940.

TRANSFER AGENTS

Common Stock, \$13 Par Value
Voting Trust Certificates Representing Same

IN PHILADELPHIA:

Fidelity-Philadelphia Trust Company
135 South Broad Street

IN NEW YORK:

Bankers Trust Company, 16 Wall Street

Preferred Stock, 7% Cumulative, \$30 Par Value
Warrants for the Purchase of \$13 Par Value Common Stock

IN PHILADELPHIA:

Drexel & Co., 15th and Walnut Streets

IN NEW YORK:

J. P. Morgan & Co., 23 Wall Street

REGISTRARS

Preferred Stock, 7% Cumulative, \$30 Par Value
Common Stock, \$13 Par Value
Voting Trust Certificates Representing Same

IN PHILADELPHIA:

The Pennsylvania Company for Insurances on Lives and Granting Annuities
15th and Chestnut Streets

IN NEW YORK:

Guaranty Trust Company of New York
140 Broadway

TO THE STOCKHOLDERS:

Though general business throughout the country may be said to have been dull during the first six months of 1939 with a declining tendency until some time in May, thereafter the trend of activity began to improve and continued to do so throughout the balance of the year. Moreover, this improvement was especially marked in respect to the demand for heavy and durable goods in the construction of which your Company is almost exclusively engaged. But in the consideration of these better times, allowance must be made for the impact of the European war as a stimulating factor which was felt during the last quarter of the year and remains as an element of substantial influence today. Unquestionably the situation abroad has fortified the activity of the durable goods industries in this country, one evidence of which was quickly seen in the program of preparedness undertaken by the American railroads which released unusual orders for maintenance and rehabilitation which were of important value to Baldwin and particularly to its subsidiary, the Standard Steel Works Company. In the Southwark Division, which is engaged in the construction of heavy machinery of a variety of kinds, the indirect and, in smaller measure the direct, influence of war demand has also been experienced to a considerable degree. The Midvale Company, as well, has on its books large orders for armor and ordnance, principally for the Government of the United States.

Even with this improvement, however, there was during 1939 a distinct lack of balance in the orders received by the consolidated Company. Each of the subsidiary divisions, including The Midvale Company, may be said to have done well to moderately well, but the main plant at Eddystone, originally constructed and principally maintained for the production of steam locomotives has received but a fraction of the business needed for satisfactory operation. It is hoped, however, that during 1940 more orders for new steam motive power will develop and the beginning of the year found us with 37 new steam locomotives on order or under construction, enough to provide for a fair start if other orders of consequence are before long forthcoming.

Early in 1939 the management of your Company, having in mind the uncertainty of being able to depend upon a continuous and ample demand for steam locomotives, and being aware of an increasing trend in the direction of the use of Diesel motive power by the railroads, decided that a serious effort should be made to enter the Diesel locomotive field on a competitive basis. I am able to now report that a first step in this development has been completed and that we have designed and constructed Diesel electric switching locomotives of the two principal standard sizes; that some of them have been sold and put in service; and that these locomotives appear to be giving satisfaction. It is the intention of your Company to develop Diesel locomotives for passenger service as well.

This advance into the field of railway motive power driven by Baldwin's well known De La Vergne Diesel engines serves to illustrate the aim of your management which is, so far as possible, to emphasize an extension of the Company's activities in the manufacture and sale of articles which have a market in times of peace as well as in times of war. This policy is stressed because, aside from the inhumanities and distress resulting from war as it is waged today, the economic implications of a great war are such as to cause the deepest anxiety upon the part of the management of almost any industrial establishment. Though apparent benefits may accrue for a time, the inevitable readjustment, after the war is over, cannot fail to bring about circumstances which will be difficult to meet and which may well be followed by disturbances in our national economy; by increased unemployment; and by other hardships imposed upon business and citizens alike.

During the past year a sincere effort has been made to establish the best possible relationship between management and men, it being the belief of the management that an association based upon mutual confidence and understanding should result not only in happiness and contentment upon the part of all the employees, but also in an increased efficiency and a better quality of work. In line with this policy a works magazine has been established which will issue bi-monthly for the interest and information of employees, the contributions to which will come largely from the employees

themselves, all the Divisions of the consolidated Company being represented. The Company is equipping a modern dispensary in one wing of the main office building to replace an existing first aid station and to thus improve and amplify its facilities for good service. Increased emphasis is being placed upon accident prevention and in a variety of ways the Company will endeavor to promote a program in the direction of better standards of health for all its people.

Inventories increased from \$6,006,981 at January 1st to \$11,280,939 at the end of the year. Over 50% of the closing inventories is represented by work in process on customers' sales orders. The inventories were checked by physical count during the last half of the year and, in the opinion of the Company's officers, are conservatively valued through provision of reserves considered adequate for obsolescence or other deficiency.

During 1939 the total compensation for all employees in the Baldwin organization including subsidiaries, amounted to \$12,356,795; purchases of materials and supplies, exclusive of intercompany transactions, amounted to \$17,614,050; and provision for taxes amounted to \$2,407,680, including social security taxes, \$491,810, and Federal and Pennsylvania income taxes, \$1,277,824.

Part of the Company's unused property located in the vicinity of Seventeenth and Hamilton Streets, Philadelphia, was sold during the year. The proceeds of this sale were paid into the first mortgage bond sinking fund and used in the purchase and retirement of \$311,000 principal amount of first mortgage bonds, leaving \$2,302,000 outstanding at the end of the year. Other portions of the Philadelphia property are now leased (under terms permitting of repossession in the event of sale) and negotiations covering additional parcels are pending. Current carrying charges of the unused Philadelphia property are largely offset by such rentals.

The Baldwin Locomotive Works on January 1, 1940 took over the operating activities of its wholly owned subsidiary, Baldwin-Southwark Corporation, this business now being conducted as the

Baldwin Southwark Division of the parent Company. It is expected that substantial economies will result from this change.

At the annual meeting of the Company on March 2, 1939, the directors then serving were reelected by the voting trustees to whom all shares of the Company's common stock are issued under a voting trust agreement created as a part of the plan of reorganization which became effective in 1937. Later in the year the membership of the Board was increased by the election of Mr. William H. Harman, Vice-President in Charge of Sales, and Mr. William H. Winterrowd, Vice-President in Charge of Operations.

During the year Mr. Charles D. MacGillivray resigned as Vice-President and Secretary, and Mr. Charles E. Acker, Treasurer of the Company, was elected Secretary. As of the close of the year Mr. Harry Glaenger, for eighteen years Vice-President in Charge of Engineering, tendered his resignation because of ill health. These resignations were accepted by the Board of Directors with sincere regret.

The Midvale Company paid dividends during the year amounting to \$1,298,413.75, of which \$798,850 was received by the parent Company.

The consolidated results of operation for the years 1939 and 1938 are summarized as follows:

	<u>1939</u>	<u>1938</u>
Consolidated Sales (including Midvale).....	\$31,463,045	\$33,107,564
including sales of locomotive products which in 1939 were \$11,363,200 and in 1938 were \$16,767,781.		
Profit before depreciation and interest.....	\$2,929,477	\$1,421,178
Depreciation.....	1,849,214	1,850,691
Interest.....	538,237	603,128
Net for the year.....	Profit \$542,026	Loss \$1,032,641
after including Baldwin's share in earnings of The Midvale Company which in 1939 was \$1,047,942 and in 1938 was \$765,353.		

After deducting preferred stock dividends in the amount of \$115,505 the remainder of net profit for the year, \$426,521, was equivalent to \$0.41 per share on the outstanding common stock.

Unfilled orders (including Midvale) at the beginning and end of the year 1939, without intercompany eliminations, were as follows:

	<u>January 1st</u>	<u>December 31st</u>
For new locomotives.....	\$1,278,018	\$4,641,373
For other products (including locomotive parts).....	12,123,303	39,574,426
	<u>\$13,401,321</u>	<u>\$44,215,799</u>

Consolidated net current assets at the beginning and end of the year 1939 were as follows:

	<u>January 1st</u>	<u>December 31st</u>
Parent Company and subsidiaries other than The Midvale Company.....	\$4,037,908*	\$6,016,858*
The Midvale Company**.....	6,423,347	7,194,466
Consolidated total.....	<u>\$10,461,255</u>	<u>\$13,211,324</u>

* After deducting for purposes of this comparison, \$2,302,000 of first mortgage bonds outstanding at December 31, 1939, and included in current liabilities of that date by reason of maturity on May 1, 1940.

** Exclusive of Baldwin voting trust certificates and warrants owned by Midvale, which it carries as marketable securities in current assets, but which are shown under investments in the consolidated total assets.

There are submitted herewith:

Consolidated Balance Sheet at December 31, 1939, showing separately the assets and liabilities of The Midvale Company, and of the parent Company and its subsidiaries other than The Midvale Company.

Consolidated Statements of Profit and Loss, Surplus and General Reserve for the year 1939.

Auditors' Report.

A copy of the annual report of The Midvale Company for the year 1939 is being mailed with this report for further information as to the affairs of that Company.

It is a pleasure to be able to inform you that during the year the members of the Company's executive staff, together with all other members of the organization, have worked together helpfully and effectively in an endeavor to make your Company successful.

This report is submitted on behalf of the Board of Directors.

CHARLES E. BRINLEY,
President.

February 8, 1940.

With deep regret we record the death, on February 4th, 1940, of Samuel M. Vauclain, Chairman of the Board of Directors of this Company. Mr. Vauclain first became connected with The Baldwin Locomotive Works in the year 1883 and served uninterruptedly from that date in various capacities until he became President in 1919 and Chairman of the Board in 1929. His death brings to a close a career which was internationally known for conspicuous achievement in many branches of industry and particularly in the field of railway motive power. His many friends throughout the country will join with us in sorrow for his loss.

THE BALDWIN LOCOMOTIVE WORKS

CONSOLIDATED BALANCE SHEET

ASSETS	Consolidated Total	Including Subsidiaries other than Midvale	The Midvale Company
Property, Plant and Equipment.....	\$64,839,358.99	\$52,435,497.41	\$12,403,861.58
Less Reserve for Depreciation.....	27,484,306.22	21,370,155.97	6,114,150.25
	<u>\$37,355,052.77</u>	<u>\$31,065,341.44</u>	<u>\$6,289,711.33</u>
First Mortgage Bond Sinking Fund:			
Cash.....	\$7,902.35	\$7,902.35	—
First Mortgages on Real Estate owned by Company...	300,000.00	300,000.00	—
	<u>\$307,902.35</u>	<u>\$307,902.35</u>	
Investments:			
General Steel Castings Corporation Common Stock (at cost less reserve, \$5,002,949.00).....	\$1.00	\$1.00	—
The Baldwin Locomotive Works Voting Trust Cer- tificates and Warrants, at cost (value at market quotation, December 31, 1939, \$124,150.00).....	128,479.69	—	—
The Midvale Company stock at cost less capital dis- tribution.....	—	926,879.38	—
Other Investments (less reserve, \$83,000.00).....	52,002.00	52,002.00	—
	<u>\$180,482.69</u>	<u>\$978,882.38</u>	
Notes and Other Credit Instruments and Accounts Re- ceivable not realizable within one year (including past due foreign items, \$1,484,130.93, and less reserve, \$1,516,158.77).....	\$191,865.42	\$189,241.29	\$2,624.13
Special Production Facilities.....	<u>\$664,501.74</u>	—	<u>\$664,501.74</u>
Current Assets:			
Cash on Deposit and on Hand.....	\$6,590,870.36	\$2,827,167.75	\$3,763,702.61
Sundry Securities (less reserve, \$370,000.00. Value at market quotations, December 31, 1939, \$237,910.99)	223,998.58	45,786.08	306,692.19
Notes and Other Credit Instruments and Accounts Receivable due in 1940 (less reserve, \$74,552.31)..	4,206,126.03	2,848,977.90	1,369,388.37
Inventories of Raw Materials, Supplies, Work in Pro- cess and Finished Products (less reserve, \$557,886.89)	11,280,939.04	6,103,672.86	5,177,266.18
	<u>\$22,301,934.01</u>	<u>\$11,825,604.59</u>	<u>\$10,617,049.35</u>
Deferred Charges.....	\$69,416.87	\$50,805.36	\$18,611.51
	<u>\$61,071,155.85</u>	<u>\$44,417,777.41</u>	<u>\$17,592,498.06</u>

See balance sheet notes on page 12.

LOCOMOTIVE WORKS

SHEET, DECEMBER 31, 1939

LIABILITIES	Consolidated Total	Including Subsidiaries other than Midvale	The Midvale Company
Refunding Mortgage Bonds:			
6% Convertible Series due 1950.....	\$6,467,900.00	\$6,467,900.00	—
Current Liabilities:			
Bank Loan Payable.....	\$100,000.00	\$100,000.00	—
Notes and Accounts Payable.....	3,240,088.22	1,956,212.49	\$1,296,115.97
Advances Received on Sales Contracts.....	878,054.63	260,196.30	617,858.33
Accrued Accounts:			
Payroll, Contingent Compensation, Commissions, etc.	697,486.99	319,189.33	378,297.66
Federal and Pennsylvania Income Taxes.....	1,221,748.84	401,748.84	820,000.00
Other Taxes.....	489,383.79	307,552.62	181,831.17
Interest.....	161,846.46	161,846.46	—
	<u>\$6,788,608.93</u>	<u>\$3,506,746.04</u>	<u>\$3,294,103.13</u>
First Mortgage 5% Sinking Fund Gold Bonds due May 1, 1940.....	2,302,000.00	2,302,000.00	—
	<u>\$9,090,608.93</u>	<u>\$5,808,746.04</u>	<u>\$3,294,103.13</u>
General Mortgage Bonds:			
4% Series due 1947, deposited as collateral for bank loan.....	\$6,000,000		
Reserved for use in connection with the re- tirement of First Mortgage Bonds.....	2,302,000		
	<u>\$8,302,000</u>		
General Reserve.....	\$1,171,235.34	\$5,820.61	\$1,165,414.73
Miscellaneous Reserves and Deferred Credits.....	497,736.99	238,183.20	259,553.79
	<u>\$1,668,972.33</u>	<u>\$244,003.81</u>	<u>\$1,424,968.52</u>
Equity of Minority Stockholders in the Capital Stock and Surplus of:			
The Midvale Company, 38.55%.....	\$4,962,705.88	—	—
The Whitcomb Locomotive Company, 8.05%.....	26,538.61	\$26,538.61	—
	<u>\$4,989,244.49</u>		
Capital Stock and Surplus:			
Preferred Stock, 7% cumulative, \$30 par (liquidating and call value \$40 per share):			
Authorized, 125,251.2 shares			
Issued or Issuable, 64,709 shares.....	\$1,941,270.00	\$1,941,270.00	—
Common Stock, \$13 par:			
Authorized, 3,000,000 shares			
Issued or Issuable, 1,028,338 shares.....	13,368,394.00	13,368,394.00	—
(Reserved for conversion of Refunding Mortgage Bonds, 6% Convertible Series due 1950, 420,413.5 shares, and for exercise of Warrants, 620,791 shares)			
Common Stock of The Midvale Company.....	—	—	\$10,574,621.02
Surplus as per annexed statement, page 14:			
Capital Surplus.....	23,118,244.85	16,383,495.51	—
Earned Surplus.....	426,521.25	177,429.44	2,298,805.39
	<u>\$38,854,430.10</u>	<u>\$31,870,588.95</u>	<u>\$12,873,426.41</u>
	<u>\$61,071,155.85</u>	<u>\$44,417,777.41</u>	<u>\$17,592,498.06</u>

See balance sheet notes on page 12.

BALANCE SHEET NOTES

Property, Plant and Equipment includes equipment purchased under conditional sales agreements, payable in semiannual installments to March 15, 1942, aggregating \$242,250.00. Title to such equipment is held by the seller until the full purchase price is paid.

The Baldwin Locomotive Works voting trust certificates representing \$13 par value common stock, and warrants, owned by The Midvale Company, shown under Investments in the consolidated total assets, are included in Sundry Securities of The Midvale Company.

Special Production Facilities consist of charges segregated from current work in process inventory of The Midvale Company, representing direct cost incurred on certain sales orders in furnishing production facilities specifically for their performance. These charges have been stated apart from current assets because a portion thereof, the amount of which is not determinable at this time, will not be realized in the ordinary course through charge to cost of shipments within one year.

Sundry Securities include \$82,000 par value of U. S. Treasury 1 $\frac{3}{8}$ % notes at cost of \$82,181.26, deposited to secure the payment in accordance with the Workmen's Compensation Law of Pennsylvania, of compensation on account of accidents.

Inventories of raw materials and bulk supplies are priced at the lower of cost or market. Miscellaneous supplies, work in process and finished products are priced at cost or less, about two-thirds being covered by sales orders at prices in excess of inventory value, the remainder being valued conservatively in the opinion of the management by the provision of reserves considered adequate for obsolescence or other deficiency.

The General Mortgage Bonds of The Baldwin Locomotive Works, 4% Series due 1947, in the principal amount of \$6,000,000, are deposited as collateral for bank loan in accordance with court Orders authorizing the Company to borrow up to \$5,000,000 and to use these securities as collateral for such loans. \$100,000 was borrowed under this authority at December 31, 1939.

There were contingent liabilities on December 31, 1939, amounting to \$234,468.68, with respect to notes receivable discounted and assignment of conditional sales agreements.

The balance sheet of The Midvale Company carries the following note with reference to its current liabilities and general reserve: Reports of Federal income taxes and refunds to the Government under the Vinson-Trammell Act for 1937 and prior years have been examined and adjusted by the U. S. Treasury Department, and settlement has been made on the basis of such examination. Pennsylvania income taxes for 1937 and prior years have been correspondingly adjusted. The amounts reported and paid for 1938 have not yet been audited. Due provision has been made in the current liabilities for the estimated amounts payable for the year 1939. The general reserve is considered adequate for contingencies in general, including any liability which may arise for such taxes and refunds in excess of the amounts provided in current liabilities.

On December 31, 1939, the shares of preferred and common stocks issuable but not yet issued, consisted of:

689 shares of Preferred Stock, 7% Cumulative, \$30 Par Value, held for payment of interest coupons matured on or before September 1, 1939, on Refunding Mortgage Bonds or for exchange for interest coupons on previously outstanding Consolidated Mortgage Bonds;

10,383 shares of Common Stock, \$13 Par Value, held for exchange for 3,461 shares of previously outstanding preferred stock; and

7,922 shares of Common Stock, \$13 Par Value, held for exchange for 79,220 shares of previously outstanding common stock.

THE BALDWIN LOCOMOTIVE WORKS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1939

Sales.....		\$31,463,044.94	
Less:			
Cost of Sales, including Selling, Administrative and General Expenses.....	\$26,350,323.46		
Provision for Depreciation.....	1,849,213.68		
		<u>28,199,537.14</u>	
Operating Profit.....			\$3,263,507.80
Other Income:			
Dividends.....	\$52,201.50		
Interest and Discount.....	108,498.50		
Miscellaneous.....	80,519.03		
		<u>241,219.03</u>	
Operating Profit and Other Income.....			\$3,504,726.83
Other Expenses:			
Interest.....	\$538,237.26		
Contingent Compensation dependent upon profits (including The Midvale Company, \$289,864.00) ..	431,532.28		
Miscellaneous.....	59,919.86		
Provision for Federal and Pennsylvania Income Taxes	1,277,823.91		
		<u>2,307,513.31</u>	
Profit for the Year.....			\$1,197,213.52
Equity of Minority Stockholders in:			
Profit of The Midvale Company.....	\$655,828.84		
Loss of The Whitcomb Locomotive Company.....	641.82		
		<u>655,187.02</u>	
Net Profit accrued to The Baldwin Locomotive Works Consolidated			<u>\$542,026.50</u>

THE BALDWIN LOCOMOTIVE WORKS

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1939

	Consolidated Total	Including Subsidiaries other than Midvale	The Midvale Company
Capital Surplus:			
Balance, January 1, 1939.....	\$23,053,938.29	\$16,382,268.51	—
Add:			
Excess of payments received for common stock over par value.....	1,227.00	1,227.00	—
Parent company equity in transfer from general reserve of The Midvale Company shown below.....	63,079.56	—	—
Balance, December 31, 1939.....	<u>\$23,118,244.85</u>	<u>\$16,383,495.51</u>	
Earned Surplus:			
Balance, January 1, 1939.....	—	—	\$1,790,796.65
Add:			
Net Profit for 1939.....	<u>\$542,026.50</u>	<u>\$292,934.69</u>	<u>1,703,770.65</u>
Transfer from general reserve.....			<u>102,651.84</u>
			\$3,597,219.14
Deduct:			
Dividends Paid:			
By The Baldwin Locomotive Works on pre- ferred stock.....	115,505.25	115,505.25	—
By The Midvale Company.....	—	—	<u>1,298,413.75</u>
Balance, December 31, 1939.....	<u>\$426,521.25</u>	<u>\$177,429.44</u>	<u>\$2,298,805.39</u>
Total Surplus, December 31, 1939.....	<u>\$23,544,766.10</u>	<u>\$16,560,924.95</u>	<u>\$2,298,805.39</u>

CONSOLIDATED STATEMENT OF GENERAL RESERVE FOR THE YEAR ENDED DECEMBER 31, 1939

	Consolidated Total	Including Subsidiaries other than Midvale	The Midvale Company
Balance, January 1, 1939.....	\$679,806.70	\$9,258.96	\$670,547.74
Add:			
Provision for contingencies through charge to 1939 operations.....	579,334.95	—	579,334.95
Transfer of overaccrual at December 31, 1938, of current liability for taxes.....	18,183.88	—	18,183.88
	<u>\$1,277,325.53</u>	<u>\$9,258.96</u>	<u>\$1,268,066.57</u>
Deduct:			
Transfer to Surplus.....	<u>\$102,651.84</u>	—	<u>\$102,651.84</u>
Miscellaneous.....	3,438.35	<u>\$3,438.35</u>	—
	<u>\$106,090.19</u>	<u>\$3,438.35</u>	<u>\$102,651.84</u>
Balance, December 31, 1939.....	<u>\$1,171,235.34</u>	<u>\$5,820.61</u>	<u>\$1,165,414.73</u>

TO THE STOCKHOLDERS,
THE BALDWIN LOCOMOTIVE WORKS:

We have examined the consolidated balance sheet of The Baldwin Locomotive Works and its subsidiary companies as at December 31, 1939, and the consolidated statements of profit and loss, surplus and general reserve for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies, except The Midvale Company, and without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence of the Companies examined by us, by methods and to the extent we deemed appropriate.

The accounts of The Midvale Company were examined by Messrs. Arthur Young & Company, a copy of whose report we received.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of profit and loss, surplus and general reserve present fairly the consolidated positions of the Companies at December 31, 1939, and the consolidated results of their operations for the year 1939, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY.

PHILADELPHIA, PENNA.

February 7, 1940.

THE BALDWIN LOCOMOTIVE WORKS

BUILDERS OF LOCOMOTIVES

STEAM ELECTRIC DIESEL

STEAM BOILERS

WELDED TANKS AND PLATE FABRICATION

O. V. KRUSE - GENERAL SALES MANAGER

STEWART McNAUGHTON - SALES MANAGER, LOCOMOTIVE DIVISION

DISTRICT SALES MANAGERS, UNITED STATES

PHILADELPHIA, PA.

SOUTHEASTERN DISTRICT L. W. METZGER

Paschall P. O.

PITTSBURGH DISTRICT ARTHUR S. GOBLE

Paschall P. O.

CHICAGO, ILL. CHARLES RIDDELL

627 Railway Exchange

NEW YORK, N. Y. JOSEPH F. HOERNER

120 Broadway

PORTLAND, ORE. ARTHUR J. BEUTER

605 American Bank Bldg.

ST. LOUIS, MO. A. B. MCCOY

1010 Pine Street

SAN FRANCISCO, CAL. LATHAM McMULLIN

2910 Russ Building

FOREIGN SALES REPRESENTATIVES AND AGENTS

CHARLES A. CAMPBELL - FOREIGN SALES MANAGER

CLYDE G. PINNEY

Technical Representative and Sales
Engineer for South America (except
Colombia and Venezuela).

RALPH T. MAYNARD

Technical Representative and Sales
Engineer for Colombia and Vene-
zuela.

JOSEPH A. GOOD

Technical Representative and Sales
Engineer for Hawaiian Islands.

AFRICA (SOUTH).....	E. M. F. BUILDINGS, JOHANNESBURG.....	Edmunds Bros. (Pty.) Ltd.
ARGENTINA, URUGUAY AND PARAGUAY.....	AVDA. ROQUE SAENZ PENA No. 832 BUENOS AIRES, ARGENTINA.....	Fiore—Co.
AUSTRALIA.....	31 REIBY PLACE, SYDNEY, NEW SOUTH WALES... 470 FLINDERS STREET, MELBOURNE, C. I., VICTORIA... 860 HAY STREET, PERTH, WESTERN AUSTRALIA.....	R. Towns & Co. Pty. Ltd. Newell & Co. Pty. Ltd. Leslie & Co.

FOREIGN REPRESENTATIVES AND AGENTS—(Continued)

BRAZIL.....	RUA MAYRINK VEIGA No. 6, RIO DE JANEIRO.....	Norton, Megaw & Co., Ltd.
CHILE AND BOLIVIA.....	VALPARAISO, CHILE.....	Wessel, Duval & Cia., S. A. C.
CHINA.....	21, 43 YUEN MING YUEN ROAD, SHANGHAI.....	Andersen, Meyer & Co., Ltd.
COLOMBIA.....	APARTADO POSTAL No. 1589, BOGOTA.....	Tomas Lopez
CUBA AND JAMAICA.....	APARTADO 43, SAGUA LA GRANDE, CUBA....	Macfarlane Foundry & Honolulu Iron Works, S/A
ECUADOR.....	CASILLA DE CORREOS 39, QUITO.....	Andino, Gonzalez y Cia.
GREAT BRITAIN AND EUROPEAN CONTINENT.....	26, VICTORIA STREET, WESTMINSTER, (Excluding Russia and Scandi- navia).....	LONDON, S. W. 1.....Davis & Lloyd
HAWAIIAN ISLANDS.....	P. O. Box 3470, HONOLULU.....	C. Brewer & Co., Ltd.
INDIA, BURMA AND CEYLON...	5 DALHOUSIE SQUARE, CALCUTTA.....	L. Brooke Edwards
JAPAN.....	YAESU BLDG., ROOM 525, MARUNOUCHI, TOKYO.....	Frazar & Co., Ltd.
MEXICO.....	APARTADO 106 Bis. MEXICO, D. F.....	Paul G. Cheatham, Technical Representative
NEWFOUNDLAND.....	154 DUCKWORTH STREET, ST. JOHNS.....	Harold A. Walsh & Co.
NEW ZEALAND.....	P. O. Box 366, WELLINGTON.....	Philips & Pike, Ltd.
PERU.....	APARTADO 146, LIMA.....	Pedro Martinto
PHILIPPINES.....	MANILA.....	Pacific Commercial Co., Inc.
PUERTO RICO AND DOMINICAN REPUBLIC.....	BANK OF NOVA SCOTIA BLDG., SAN JUAN, P. R.....	Compañía Carrión, Inc.
RUSSIA.....		Adolph Hochbaum
SCANDINAVIA.....	TOLDBOGADEN No. 8, OSLO, NORWAY.....	Olav Belsheim

STANDARD STEEL WORKS COMPANY

Incorporated under the Laws of the State of Pennsylvania

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CHARLES E. BRINLEY	President
FRANK K. METZGER	Vice-President and General Manager
CHARLES E. ACKER	Secretary and Treasurer
CARLOS F. NOYES	Comptroller

STEEL FORGINGS STEEL CASTINGS STEEL TIRES
WROUGHT STEEL WHEELS STEEL SPRINGS

PLANT

BURNHAM, MIFFLIN COUNTY
PENNSYLVANIA

CRAMP BRASS AND IRON FOUNDRIES COMPANY

Incorporated under the Laws of the State of Delaware

OFFICERS

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NORRIS H. SCHWENK	President
JAMES J. NELSON	Vice-President
CHARLES E. ACKER	Secretary and Treasurer

IRON, BRASS AND BRONZE CASTINGS
PARSONS' WHITE BRASS AND BABBITT METAL INGOTS

* Deceased February 4, 1940.

BALDWIN-SOUTHWARK CORPORATION

Incorporated under the Laws of the State of Delaware

OFFICERS

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CHARLES E. BRINLEY
WILLIAM H. HARMAN
CHARLES E. ACKER
CARLOS F. NOYES

Chairman of the Board
President
Vice-President
Secretary and Treasurer
Comptroller

WATER POWER TURBINES

HYDRAULIC PRESS MACHINERY

TESTING MACHINES

SPECIAL MACHINERY

POWER TOOLS

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

DE LA VERGNE ENGINE COMPANY

Incorporated under the Laws of the State of New York

OFFICERS

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CHARLES E. BRINLEY
WILLIAM H. HARMAN
CHARLES E. ACKER

Chairman of the Board
President
Vice-President
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DIESEL ENGINES

* Deceased February 4, 1940.

THE WHITCOMB LOCOMOTIVE COMPANY

Incorporated under the Laws of the State of Delaware

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Chairman of the Board

CHARLES E. BRINLEY

President

WILLIAM H. WINTERROWD

Vice-President

CHARLES E. ACKER

Secretary and Treasurer

INTERNAL COMBUSTION LOCOMOTIVES

FOR

INDUSTRIAL AND RAILWAY SERVICES

PLANT

ROCHELLE, ILLINOIS

THE PELTON WATER WHEEL COMPANY

Incorporated under the Laws of the State of California

OFFICERS

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Chairman of the Board

WILLIAM H. HARMAN

Vice-Chairman of the Board

EVERETT M. BREED

President

W. HORACE HOLCOMB

Vice-President

CHARLES E. ACKER

Secretary and Treasurer

WATER POWER TURBINES

HYDRAULIC VALVES

MISCELLANEOUS MACHINERY FOR IRRIGATION AND

PUBLIC UTILITY PROJECTS

PLANT

SAN FRANCISCO, CALIFORNIA

* Deceased February 4, 1940.

THE MIDVALE COMPANY

Incorporated under the Laws of the State of Delaware

DIRECTORS

ARNOLD BERNHARD	New York City
FRANCIS BRADLEY	Philadelphia
CHARLES E. BRINLEY	Chestnut Hill, Pa.
HARRY L. FREVERT	Philadelphia
STUART HAZLEWOOD	Philadelphia
EDWARD HOPKINSON, JR.	Philadelphia
CONRAD N. LAUER	Philadelphia
JAMES M. MILLIKEN	Philadelphia
CHARLES H. SCHLACKS	Bryn Mawr, Pa.
ROBERT C. SHIELDS	Detroit
SAMUEL M. VAUCLAIN *	Rosemont, Pa.
JOSEPH WAYNE, JR.	Philadelphia

OFFICERS

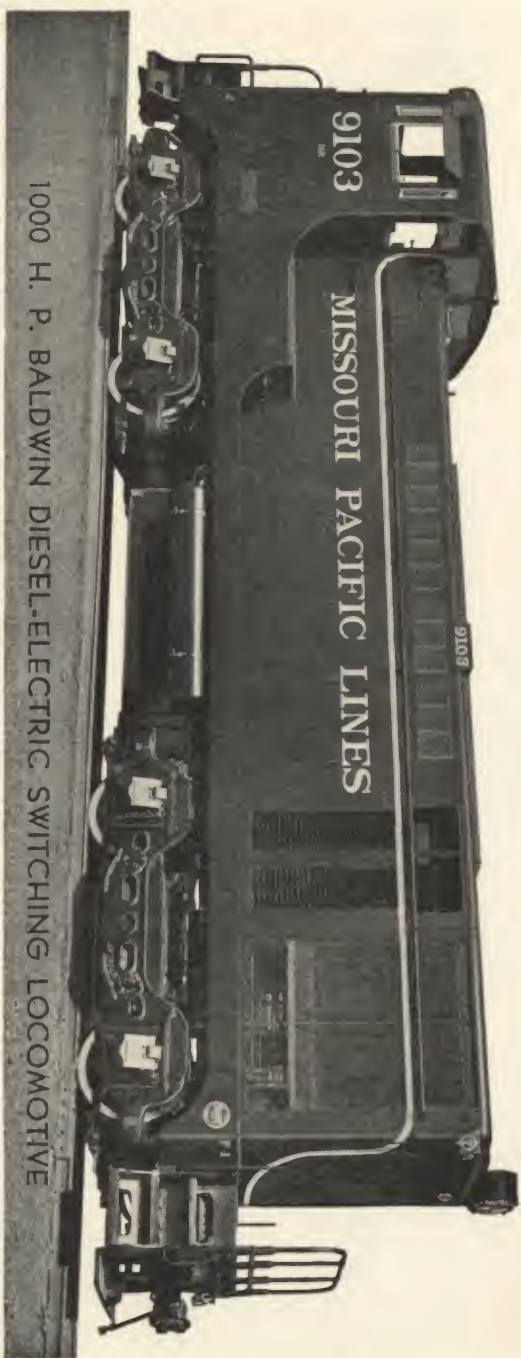
CHARLES E. BRINLEY	Chairman of the Board
HARRY L. FREVERT	President
FRANCIS BRADLEY	Vice-President
STUART HAZLEWOOD	Vice-President in Charge of Sales
CHARLES E. ACKER	Secretary
JAMES M. MILLIKEN	Treasurer and Assistant Secretary

HEAVY FORGINGS OF CARBON AND ALLOY STEELS
TOOL STEEL, INCLUDING HIGH SPEED STEEL
HARDENED AND GROUND STEEL ROLLS
STEEL TIRES AND WELDLESS RINGS
HIGH ALLOY STEEL CASTINGS
ALLOY STEEL BARS
ARMOR PLATE
ORDNANCE

PLANT

NICETOWN, PHILADELPHIA

* Deceased February 4, 1940.



1000 H. P. BALDWIN DIESEL-ELECTRIC SWITCHING LOCOMOTIVE